

TOWN OF DAVIE

TOWN COUNCIL AGENDA REPORT

TO: Mayor and Council Members

FROM/PHONE: Bill Underwood/797-1050
Document Prepared by: Bill Underwood/797-1050

SUBJECT: Ordinance

AFFECTED DISTRICT: N/A

TITLE OF AGENDA ITEM: AN ORDINANCE OF THE TOWN OF DAVIE, FLORIDA, AMENDING THE TOWN OF DAVIE POLICE PENSION PLAN AS PROVIDED BY THE COLLECTIVE BARGAINING AGREEMENT BETWEEN THE TOWN AND THE FRATERNAL ORDER OF POLICE, LODGE 100; PROVIDING FOR SEVERABILITY; PROVIDING FOR A REPEALER; AND PROVIDING FOR AN EFFECTIVE DATE.

REPORT IN BRIEF: As the Council maybe aware, certain changes to the Police Pension Plan were provided in the Collective Bargaining Agreement for the period of 2002 to 2004. That agreement provided for increase in benefits to Police Pension members. Despite the fact, the ordinance has not been heretofore brought forward for Councils actions; audit and actuarial calculations and contributions have been and are premised on the implementing of the proposed ordinance. This office has requested a review of both the labor contract and the attached pension ordinance and we have been advised that the pension ordinance conforms to the labor contract.

Pursuant to the actuarial impact statement the amendment cost is \$368,252 annually (see attached).

As a result, we respectfully request Town Councils approval to the attached ordinance on the first reading.

PREVIOUS ACTIONS: Town Council previously approved resolution number R-2002-149 on June 19, 2002.

CONCURRENCES:

FISCAL IMPACT:

Has request been budgeted? Yes

If yes, expected cost: \$368,252

RECOMMENDATION(S): Motion to approve the ordinance.

Attachment(s): Ordinance and Actuarial Impact Statement

ORDINANCE NO. _____

AN ORDINANCE OF THE TOWN OF DAVIE, FLORIDA, AMENDING THE TOWN OF DAVIE POLICE PENSION PLAN AS PROVIDED BY THE COLLECTIVE BARGAINING AGREEMENT BETWEEN THE TOWN AND THE FRATERNAL ORDER OF POLICE, LODGE 100; PROVIDING FOR SEVERABILITY; PROVIDING FOR A REPEALER; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Town Council of the Town of Davie has previously adopted Ordinance 99-20 amending and restating the pension plan for sworn Police Officers;

WHEREAS, the Town of Davie Police Pension Plan is required to comply with the minimum benefit requirements of Chapter 185, Florida Statutes; and

WHEREAS, the Town has negotiated a collective bargaining agreement providing for new pension benefits for sworn Police Officers.

NOW, THEREFORE, BE IT ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF DAVIE, FLORIDA, THAT:

Section 1: Section 7.2 of the Town of Davie Police Pension Plan is hereby amended to read as follows:

- 7.2 Employee Contributions. Commencing on October 9, 2003, the employee contribution will be increased to seven percent (7%) of compensation as defined by Section 1.7(a). Effective October 1, 2000, through October 8, 2003 the employee contribution shall be six and one-half percent (6.5%) of base pay. Effective May 18, 1994, as a condition of participation in the Plan, each Participant must contribute (via employer "pick-up") for each payroll period, through payroll deductions, an amount equal to five percent of his base pay. Between May 1, 1976 and September 30, 1977, each Participant was required to contribute an amount equal to five percent of base pay. Between October 1, 1977 and July 19, 1983, each Participant was required to contribute an amount equal three percent of base pay. Between July 20, 1983 and May 30, 1983, each Participant was required to contribute an amount equal to 6-1/4 percent of base pay. Between June 1, 1983 and September 30, 1983, each Participant was required to contribute an amount equal to 4-1/4 percent of base pay. Between October 1, 1983 and May 18, 1994, each Participant was required to contribute an amount equal to 6-1/4 percent of base pay. Each Participant will be deemed to have consented to such payroll deductions.

Section 2: Section 3.1 of the Town of Davie Police Pension Plan is hereby amended to read as follows:

3.1 Normal Retirement.

- (b) Amount of Normal Retirement Benefit. Beginning May 18, 1994 the first full pay period in October 2003, the Participant who retires on his Normal Retirement Date will receive a monthly benefit in an amount equaling the sum of (1) plus through (2) (3) as follows:

- (1) Three percent of his Final Average Earnings multiplied by his whole and partial Years of Service not in excess of 20 years for the first ten (10) years of service.

(2) ~~Two~~ Four percent of his Final Average Earnings multiplied by the Participant's whole and partial Years of Service in excess of ~~20~~ 10 years but not in excess of ~~30~~ 20 years of service. ~~After forty (40) years of service, benefits shall recommence at a rate of two percent (2%) per year.~~

(3) Two percent of Final Average Earnings multiplied by the Participant's whole and partial Years of Service thereafter for the next ten (10) years of service.

No Participant will receive a monthly benefit greater than ~~80~~ 90 percent of his Final Average Earnings, inclusive of prior police or military service credit purchased by the member.

Section 3: Section 1.28 of the Town of Davie Police Pension Plan is hereby amended to read as follows:

1.28 Years of Service (Benefit Service and Vesting Service). The period beginning on the Participant's Employment Date and ending on his Termination Date, subject to the following rules:

(e) Participants may buy back up to four (4) years of service for the purposes of retirement. This service may have been in the form of previous military or police (law enforcement service) with any State, Municipal, or Federal agency. Total buy back shall not exceed four (4) years.

All cost of the buy back shall be determined by the Pension Board's actuary and such cost shall be borne by the affected employee(s). The actuary will base the cost on the actuarial equivalent of the buy back.

The Pension Board may permit the buy back in either lump sum or over a multi-year timeframe not to exceed five (5) years and not to extend past the Participant's retirement date. If the Participant buys back over a period of time, additional interest at the actuarially assumed rate ~~the plan earns~~ will continue to accrue on the unpaid balance.

A Participant shall not be deemed vested until the completion of ten (10) years of actual service as a sworn police officer with the Town.

Section 4: Section 3.5 of the Town of Davie Police Pension Plan is hereby amended to read as follows:

3.5 Disability Retirement.

(a) Eligibility. The Participant who incurs a Disability will be entitled to the retirement benefit described in this Section. The Disabled Participant must submit to a physical examination by one or more physicians selected by the Board at six month intervals or more frequently if requested by the Board.

(1) Any police officer who believes that s/he is entitled to receive a disability retirement may make application to the Police Pension Board. The Board shall hear and consider the employee's application;

- (2) The Board cannot require that an employee resign or be separated by the Town as a condition of applying for disability retirement;
- (3) In the event the Town offers work to an officer who is claiming disability retirement, the officer may still request that the Pension Board consider whether the officer nevertheless qualifies as being disabled.
- (4) No employee may receive a disability benefit and also be an employee of the Town.

Section 5: Section 9.1 of the Town of Davie Police Pension Plan is hereby amended to read as follows:

9.1 Allocation of Fiduciary Responsibilities. The Plan fiduciaries will have the powers and duties described below, and may delegate their non-discretionary duties.

(b) The Board.

- (1) Appointment and Termination of Office. The Board will consist of the following five individuals:

- (B) Two sworn police officers, each of whom will be elected by a majority of the police officers who participate in the this Plan, and will serve a two year term unless he leaves Employment within that period. The Union shall administer the elections of employee representatives as trustees on the Pension Board; and

Section 6: Section 4.3.1 of the Town of Davie Police Pension Plan is hereby amended to read as follows:

4.3 Deferred Retirement Option Plan. Subject to Federal and State Laws, participants may elect a Deferred Retirement Option Plan as described below. This option is made part of the plan.

4.3.1 Eligibility.

- (d) Members may enter the Deferred Retirement Option Plan (DROP) within five (5) years after reaching their Normal Retirement date. In no event can a member who enters the DROP exceed twenty-five (25) years of total creditable service plus years of DROP participation.

Section 7: Section 1.7 of the Town of Davie Police Pension Plan is hereby amended to read as follows:

1.7 Compensation.

- (a) For Accrued Benefit and Nondiscrimination Testing, compensation shall mean the Participant's base salary, assignment and longevity pay received from the Town for each Plan Year. It includes any elective deferrals under any Code Section 457 Plan and excludes all other forms of direct or indirect compensation. Longevity pay is earned uniformly throughout the Plan Year

and will be credited for the payroll period in which it is earned regardless of the date when it is paid.

Section 8: If any clause, section, or other part or application of this Ordinance shall be held in any court of competent jurisdiction to be unconstitutional or invalid, such unconstitutional or invalid part or application shall be considered as eliminated and shall not affect the validity of the remaining portions or applications which shall remain in full force and effect.

Section 9: All ordinances or parts of ordinances, resolutions or parts of resolutions in conflict herewith are hereby repealed to the extent of such conflict.

Section 10: This Ordinance shall become effective immediately upon adoption, provided that the provisions of this Ordinance shall have been approved by the State.

PASSED ON FIRST READING THIS ____ DAY OF _____, 2005

PASSED ON SECOND AND FINAL READING THIS _____ DAY OF _____, 2005

MAYOR/COUNCILMEMBER

ATTEST:

TOWN CLERK

APPROVED THIS _____ DAY OF _____, 2005



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Suite 310
Miami, Florida 33176

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Toll Free: 1-866-322-9970
Fax: (305) 274-9946
E-mail: info@dulaneyco.com

August 9, 2004

Mr. Joseph E. Mastrangelo
Administrative Services, Inc.
7990 S.W. 117th Avenue, Ste. 200
Miami, Florida 33183

**Subject: Town of Davie Police Pension Plan
Actuarial Impact Statement for Plan Amendment**

Dear Joe:

We are pleased to enclose an Actuarial Impact Statement in support of the amendment of the Town of Davie Police Pension Plan. The Actuarial Impact Statement is for the following changes:

- Increase the member contribution rate from 6.5% to 7.0% effective October 9, 2003.
- Effective on the first full pay period in October 2003, the retirement benefit accrual would be three percent (3.0%) of Final Average Earnings (FAE) multiplied by the first 10 years of Benefit Service, plus four percent (4.0%) of FAE times the next 10 years of Benefit Service, and plus two percent (2.0%) times FAE for the next 10 years of Benefit Service. The maximum retirement benefit accrual is 90% of FAE.
- Allow the buyback of up to a total of four (4) years of prior military and sworn police officer service as Benefit Service at true actuarial cost. A member would not be deemed vested until the completion of 10 years of actual service as a sworn police officer with the Town. (No cost impact to the Fund)
- Allow members to enter the Deferred Retirement Option Plan (DROP) within five (5) years after reaching their Normal Retirement Date. Total years of Benefit Service and DROP participation limited to 25 years. (No cost impact to the Fund)

The results of our calculations indicate that the changes will increase the annual minimum City contribution by \$368,252 (4.1% of covered payroll) for the October 1, 2003 through September 30, 2004 plan year. The plan changes have already been reflected in the October 1, 2003 Actuarial Valuation.

Mr. Joseph E. Mastrangelo
August 9, 2004
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We have prepared the Actuarial Impact Statement for filing with the State of Florida. Please note that this Statement must be signed and dated on behalf of the Board of Trustees. A copy of the proposed ordinance upon passage at the first reading along with this Actuarial Impact Statement should be submitted to the State at the following addresses:

Mr. Charles Slavin, A.S.A.
Division of Retirement
Cedars Executive Center, Building C
2639 North Monroe Street
Tallahassee, FL 32399-1560

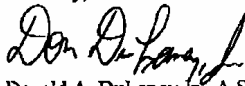
Ms. Patricia Shocmaker
Section Chief
Municipal Police and Fire
P.O. Box 3010
Tallahassee, FL 32315-3010

Please note that State laws require revised funding no later than the fiscal year following the effective date of the changes provided under the ordinance. Please forward a copy of the ordinance upon passage at second reading to update our files.

We have prepared this Impact Statement based upon the October 1, 2003 census data utilized for the October 1, 2003 Actuarial Valuation. The methods and assumptions used in the calculations are the same as those utilized for the October 1, 2003 Actuarial Valuation.

If you should have any question concerning the above, please do not hesitate to contact us.

Sincerely,



Donald A. DuLaney Jr., A.S.A.
Senior Consulting Actuary

DAD:l

Enclosures

cc: Major Ed Taylor, with enclosures
Adam Levinson, Esq., with enclosures

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TOWN OF DAVIE POLICE PENSION PLAN

Actuarial Impact Statement

A. Description of Plan Amendment (see attached)

Increase the member contribution rate from 6.5% to 7.0% effective October 9, 2003.

Effective on the first full pay period in October 2003, the retirement benefit accrual would be three percent (3.0%) of Final Average Earnings (FAE) multiplied by the first 10 years of Benefit Service, plus four percent (4.0%) of FAE times the next 10 years of Benefit Service, and plus two percent (2.0%) times FAE for the next 10 years of Benefit Service. The maximum retirement benefit accrual is 90% of FAE.

Allow the buyback of up to a total of four (4) years of prior military and sworn police officer service as Benefit Service at true actuarial cost. A member would not be deemed vested until the completion of 10 years of actual service as a sworn police officer with the Town. (No cost impact to the Fund)

Allow members to enter the Deferred Retirement Option Plan (DROP) within five (5) years after reaching their Normal Retirement Date. Total years of Benefit Service and DROP participation limited to 25 years. (No cost impact to the Fund)

B. An estimate of the cost of implementing this amendment - see attachment.

C. In my opinion, the proposed changes are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution.

Chairman, Board of Trustees

Date

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Table I

TOWN OF DAVIE POLICE PENSION PLAN

Actuarial Impact Statement as of October 1, 2003

| | Prior Plan 10/01/2003 | Current Plan 10/01/2003 |
|--|-----------------------------|-------------------------------|
| A. Participant Data | | |
| 1. Active participants | 159 | 159 |
| 2. Retired participants and beneficiaries receiving benefits | 19 | 19 |
| 3. DROP participants | 10 | 10 |
| 4. Disabled participants receiving benefits | 4 | 4 |
| 5. Terminated vested participants | 0 | 0 |
| 6. Total participants | 192 | 192 |
| 7. Annual payroll of active participants | \$ 8,993,849 | \$ 8,993,849 |
| 8. Annual benefits payable to those currently receiving benefits | \$ 660,899 | \$ 660,899 |
| 9. Annual benefits payable to DROP participants | \$ 337,781 | \$ 337,781 |
| B. Assets | | |
| 1. Actuarial Value | \$ 34,845,003 | \$ 34,845,003 |
| 2. Market Value | \$ 35,401,698 | \$ 35,401,698 |
| C. Liabilities | | |
| 1. Actuarial present value of future expected benefit payments for active members | | |
| a. Age retirement benefits | \$ 45,175,867 | \$ 49,256,473 |
| b. Vesting benefits | 1,344,206 | 1,368,522 |
| c. Death benefits | 377,755 | 379,040 |
| d. Disability benefits | 288,345 | 303,621 |
| e. Total | \$ 47,186,173 | \$ 51,307,656 |
| 2. Actuarial present value of future expected benefit payments for terminated vested members | \$ 0 | \$ 0 |
| 3. Actuarial present value of future expected benefit payments for those receiving benefits | | |
| a. Service retired | \$ 5,955,278 | \$ 5,955,278 |
| b. DROP participants | 4,728,718 | 4,728,718 |
| c. Disability retired | 1,010,689 | 1,010,689 |
| d. Beneficiaries | 620,938 | 620,938 |
| e. Total | \$ 12,315,623 | \$ 12,315,623 |

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Table XVI
 (continued two)

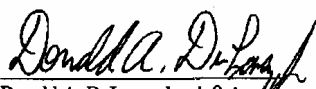
| | Prior Plan 10/01/2003 | Current Plan 10/01/2003 |
|--|-----------------------------|-------------------------------|
| 4. Total actuarial present value of future expected benefit payments | \$ 59,501,796 | \$ 63,623,279 |
| 5. Actuarial accrued liabilities | \$ 42,952,506 | \$ 44,992,814 |
| 6. Unfunded actuarial liabilities | \$ 8,107,503 | \$ 10,147,811 |
| D. Statement of Accumulated Plan Benefits | | |
| 1. Actuarial present value of accumulated vested plan benefits | | |
| a. Participants currently receiving benefits | \$ 7,586,905 | \$ 7,586,905 |
| b. DROP participants | 4,728,718 | 4,728,718 |
| c. Other participants | <u>20,200,822</u> | <u>20,251,825</u> |
| d. Total | \$ 32,516,445 | \$ 32,567,448 |
| 2. Actuarial present value of accumulated non-vested plan benefits | <u>3,247,329</u> | <u>3,247,329</u> |
| 3. Total actuarial present value of accumulated plan benefits | \$ 35,763,774 | \$ 35,814,777 |
| E. Pension Cost | | |
| 1. Total normal cost including expenses | \$ 2,410,994 | \$ 2,637,692 |
| 2. Payment required to amortize unfunded liability | <u>692,624</u> | <u>860,434</u> |
| 3. Total required contribution (including interest) | \$ 3,256,923 | \$ 3,670,144 |
| 4. Item 3 as a percentage of payroll | 36.2% | 40.8% |
| 5. Estimated employee contributions | \$ 584,600 | \$ 629,569 |
| 6. Item 5 as a percentage of payroll | 6.5% | 7.0% |
| 7. Estimated State contributions | \$ 285,575 | \$ 285,575 |
| 8. Item 7 as a percentage of payroll | 3.2% | 3.2% |
| 9. Net amount payable by Town | \$ 2,386,748 | \$ 2,755,000 |
| 10. Item 9 as a percentage of payroll | 26.5% | 30.6% |

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Table XVI
(continued three)

| | Prior Plan 10/01/2003 | Current Plan 10/01/2003 |
|--|-----------------------------|-------------------------------|
| F. <u>Disclosure of Following Items:</u> | | |
| 1. Actuarial present value of future salaries - attained age | \$ 66,136,210 | \$ 66,136,210 |
| 2. Actuarial present value of future employee contributions - attained age | \$ 4,298,854 | \$ 4,629,535 |
| 3. Actuarial present value of future contributions from other sources | N/A | N/A |
| 4. Amount of active members' accumulated contributions | \$ 4,231,937 | \$ 4,231,937 |
| 5. Actuarial present value of future salaries and future benefits at entry age | Not provided by software | |
| 6. Actuarial present value of future employee contributions at entry age | Not provided by software | |

This actuarial valuation and/or cost determination was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise provided for in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.



Donald A. DuLaney Jr., A.S.A.
Senior Consulting Actuary

8/9/04

Date

02-4191

Enrollment Number

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